

Internal Revenue Service

Department of the Treasury

Regional Counsel

Mid-Atlantic Region

Address any reply to Appeals  
Division at office No. 3

CERTIFIED MAIL



Person to Contact:

Telephone Number:

Refer Reply to:

Date: OCT 1 1987

EIN:

Form Number: 1120

Tax Years: March 31, 1984 & following

Key District: Baltimore

Dear Sir/Madam:

This is a final adverse determination as to your exempt status under Section 501(c)(3) of the Internal Revenue Code.

Our adverse determination was made for the following reason(s):

More than an insubstantial part of your operation furthers the nonexempt private recreational and social interests of your members. Any educational benefits to your members derived from your activities are a mere incident of your nonexempt recreational and social purposes. Therefore, you are not operated exclusively for educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

Your purposes and activities include the provision of facilities and equipment to encourage sporting events. You are not, therefore, organized and operated exclusively to foster national or international amateur sports competition within the meaning of Section 501(c)(3) of the Internal Revenue Code.

You are not operated exclusively to foster national or international amateur sports competition because you are not operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in sports. Therefore, you are not a qualified amateur sports organization within the meaning of Section 501(j) of the Internal Revenue Code.

Contributions to your organization are not deductible under Code section 170.

You are required to file Federal income tax returns on the form indicated above. Based on the financial information you furnished, it appears that returns should be filed for the above years. You should file these returns with your key District Director, EP/EO Division, within 30 days from the date of this letter, unless a request for an extension of time is granted. Processing of income tax returns and assessment of any taxes due will not be delayed because you have filed a petition for declaratory judgment under Code section 7428. You should file returns for later tax years with the appropriate service center shown in the instructions for those returns.

If you decide to contest this determination under the declaratory judgment provisions of Code section 7428, a petition to the United States Tax Court, the United States Court of Claims, or the district court of the United States for the District of Columbia must be filed within 90 days from the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for filing petitions for declaratory judgment.

We will notify the appropriate State officials of this action, as required by Code section 6104(c).

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



Associate Chief,  
Appeals Office

cc: 

[REDACTED]  
[REDACTED]  
[REDACTED]  
10 OCT 1985

[REDACTED]  
CERTIFIED MAIL

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954.

You were incorporated [REDACTED], under the non-profit laws of the State of [REDACTED]. Your stated purposes are:

- a) To promote, advance, and sponsor amateur competitive equestrian events in the [REDACTED] County area.
- b) To encourage the development of equestrian skills by holding periodic fox hunts and equestrian training sessions.
- c) To own and maintain sufficient numbers of horses, hounds and related equipment to meet the requirements of paragraphs a and b.
- d) To employ the necessary personnel to meet the purpose of paragraphs a and b.
- e) To lease stables and related facilities to meet the purposes of paragraphs a and b.
- f) To ensure that no members receive financial benefit from the corporation except as salaries and expenses.

You are a membership organization open to anyone who supports the organization's purpose regardless of race, color, religion, creed, ancestry, handicap or sex. Membership consist of four classes with annual dues charged for each class as follows:

[REDACTED]

Hunting Subscribers - \$[REDACTED], Limited Members - \$[REDACTED],  
Sustaining Members - \$[REDACTED] and Junior Members - \$[REDACTED].

Your activities consist of sponsoring [REDACTED] or [REDACTED] horse shows per year for amateur riders to compete before moving up to stiffer competition in larger shows. A large number of the participants are children who, not only learn basic equestrian skills but also are educated in the care and maintenance of horses. You also sponsor periodic fox hunts for both members and guests conducted in the [REDACTED] countryside, giving the membership an opportunity to develop skills in controlling and guiding their mounts and in jumping fences. In the future, the organization intends to sponsor both amateur steeplechase and point-to-point races.

Income consists of membership dues, contributions, gifts, grants and gross amounts derived from horse shows and other activities related to your exempt purpose.

Expenditures are for employee salaries, utilities, telephone, feed, veterinarian and kennel expense, horse expense, track expense, horse show expense, insurance, taxes, office supplies, foxes, catching hounds, Christmas purchases and miscellaneous expenses.

Section 501(c)(3) of the Code provides for the exemption of organizations which are organized and operated exclusively for religious, charitable, scientific, literary or educational purpose, for the prevention of cruelty to children or animals, to test for public safety or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment). No part of the net earnings of the organization may inure to the benefit of any individual.

Section 1.501(c)(3)-1 of the Income Tax Regulations relates to the definition of the organization and operation of organizations described in Section 501(c)(3). It reads, in part, as follows:

In order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such Section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. The term "exempt purpose or purposes" as used in this Section, means any purpose or purposes specified in Section 501(c)(3).

[REDACTED]

An organization is organized exclusively for one or more exempt purposes only if its articles of organization limit the purposes of such organization to one or more exempt purpose.

An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of any private shareholders or individuals.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not organized or operated for any purpose under Section 501(c)(3) unless it serves a public rather than a private interest.

Section 1.501(c)(3)-1(d)(3) of the Regulations defines the term "educational" as (a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

In Better Business Bureau v. U.S. 326 U.S. 279 (1945), C.T.D. 1950, 1945 C.B. 375, the Supreme Court stated that the presence of even a single, non-exempt purpose, if more than insubstantial in nature, will defeat exemption, under Code Section 501(c)(3), regardless of the number of importance of truly exempt purposes.

Section 501(j)(2) of the Internal Revenue Code defines a "qualified amateur sports organization" as an organization organized and operated exclusively to foster national or international amateur sports competition if such organization is also organized and operated primarily to conduct national or international competition in sports or to support and develop amateur athletes for national or international competition in such sports.

In Revenue Ruling 70-4, Cumulative Bulletin No. 1970-1, page 126 it is stated that an organization engaged in promoting and regulating a sport for amateurs is not exempt under Section 501(c)(3) of the Code even though it provides clinics for instruction and provides common good and general welfare to the people of the community. However, the organization may qualify for exemption under Section 501(c)(4) of the Code as a social welfare type of organization.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(2) of the Income Tax Regulations provides that, in general, an organization is operated exclusively for the promotion of social welfare if it primarily engaged in promoting in some way the common good and general welfare of the people of the community.

The information submitted indicates that your organization is restricted to a lesser area of competition than State, National/International, and provides for both facilities and equipment for the participant, unlike the Amateur Athletic Association described in the Internal Revenue Code. Also, your organization is similar to that described in Revenue Ruling 70-4, cited above, in providing for the promotion and regulation of a sport for amateurs.

The sponsoring of the horseshow competitions, fox hunts and steeplechases are not exclusively educational in nature. The teaching of basic equestrian skills, and care and maintenance of horses to those who are participants in these competitions are minor and incidental.

Other activities that are directed toward the development of the equestrian skills are for the private benefit of your members and would not be within the provision of Section 501(c)(3) of the Code.

Therefore, we have concluded that you do not qualify for tax exempt status as an organization described in Section 501(c)(3) of the Code. Contributions made to you by donors are not tax deductible contributions. Since you have not been granted tax exempt status you must file Federal income tax returns on Form 1120.

If the organization desires to make application under Section 501(c)(4) of the Code, the enclosed Form 1024 may be used for that purpose.

[REDACTED]

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient District Office. If we do not hear from you within 30 days from the date of this letter, this determination will become final and a copy of this letter will be sent to the appropriate State officials in accordance with Section 6104(c) of the Internal Revenue Code.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

(Signed) [REDACTED]

[REDACTED]  
District Director

Enclosures:

Pub. 892  
Form 1024

cc: [REDACTED]